Research Plan Proposal

Role of Microfinance in Empowerment of Rural Women in Sri Ganaganagar District of Rajasthan

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INTRODUCTION

Microfinance is a significant approach for the low income group people who do not have access to banking and other related services. Microfinance refers to a range of financial and non-financial services, including skill enhancement and entrepreneurship development provided to the poor in order to fulfill their financial needs. Microfinance includes a number of services like credit, leasing, money-transfer, saving, insurance and subsidies. The main aim of microfinance is to empower the underprivileged people of the society who have the skills which remain unutilized due to lack of financial resources. These people are usually poor rural women, small farmers and small shop keepers. Microfinance provides opportunities to become self confident, self reliant and self employed. Micro loans are given for a variety of needs like life cycle needs (such as weddings, funerals, and childbirth and education), personal emergencies, disasters and investment opportunities.

The concept of microfinance came from Bangladesh in 1970s when Professor Muhammad Yunus started Grameen Bank (GB). Grameen Bank of Bangladesh is promoting SHGs (Self Help Groups) through micro finance facilities. Microfinance in India started in 1974 in Gujarat with Shri Mahila SEWA (Self Employed Women Association) Sahakari Bank. In India NABARD (National Bank for Agriculture and Rural Development) works as a promoter, supervisor and regulator of microfinance.

The two main suppliers of microfinance in India are the Micro Finance Institutions (MFIs) and SHGs Linkage Programme. In India Micro Finance Institutions are regulated by Reserve Bank of India. The Micro Finance Institutions are those institutions which provide small loans or micro loans where the amount of loan cannot exceed rupees fifty thousand per borrower. The loans are given to the

people living below poverty line without collateral security. The interest rates charged on these loans is generally high but cannot exceed twenty six percent as per the guide lines of the Reserve Bank of India. Some of the institutions providing microfinance in India are Regional Rural Banks, Co-Operative societies, Development Banks, Postal Saving Banks etc.

The National Bank of Agriculture and Rural Development (NABARD) started a programme called 'SHG Linkage Programme' in 1992 for a better access of financial services through SHGs. SHG is a financial intermediary established by 10-20 people. These people with the same economic and social background face similar problems and hence have common goals which they try to achieve in a group. They save small amounts and form common funds. Against these funds SHG members can take credit to full fill their financial needs. The movement of SHG is closely related to women. Microfinance targets these women for their empowerment. Empowerment is a multi-dimensional social procedure that helps people gain control over their own lives and helps them to take their own decisions**.** Empowerment refers to the rising of the political, social and economic power of individuals and communities. Women empowerment is helpful to improve the situation of women in the society. In earlier times women were unable to contribute in economic activities due to lack of financial support. But today as compared to men women have proven to be more reliable as far as the repayment of loans is concerned. When they have control over financial resources they invest in useful activities like education, health and small business activities. The productive use of microfinance also results in making a stronger local economy. Studies have shown that women involved in microfinance have greater freedom, awareness and role in decision making at various levels. To achieve the target of women empowerment microfinance programmes follows 'trickle up' approach.

'Trickle up' means that the benefit should be directly provided to the women at grass root level so they can invest it for their development and also for the improvement in their standard of living. Through this 'trickle up' approach micro finance is contributing in self employment, poverty reduction, financial sustainability, improving gender equality and control over assets. Hence microfinance is not only a financing system but also an effective tool for women empowerment. It can be more effective intervention for women empowerment if governmental and non governmental agencies will work on proper utilization of microfinance facilities and proper delivery of it to the poorest.

REVIEW OF LITERATURE

There have been various studies to explore the role of microfinance in women empowerment. A few selected studies have been reviewed here:

Hashemi *et al.* (1996) examined whether Grameen Bank and Bangladesh Rural Advancement Committee (BRAC) have had an effect on the different dimensions of empowerment. The study found that involvement in microcredit programs and Self Help Groups empower women and increased their mobility. It also provided economic security, ability to make small and large purchases. Further it resulted in major decision making and relative freedom from domination by the family and also created political and legal awareness.

Hunt and Kasynathan (2002) studied the impact of income generating activities on women empowerment. These activities were financed through microfinance programmes. The data was collected from NGO's of Bangladesh and India. The study concluded that microfinance programmes were responsible to provide financial services to poor people. These programmes had significant impact on women empowerment. The study suggested that NGO's and Government should provide microfinance facilities only to the poorest sections of the society.

Gariyali and Vetrivel (2004) wrote their book on the self help movement in Tamil Nadu. They observed that Self Help Groups were helpful to empower women through microfinance facilities. According to them microcredit needs and empowerment of poor rural women could be full filled by organized women groups called Self Help Groups. In this area major objectives of the Self Help Groups were to empower women, reduction of poverty, promotion of self employment activities and a better access to micro credit. Findings showed that poor rural women became self reliant and self confident after joining Self Help Groups. Their microcredit needs were full filled through SHGs.

Nair (2005) studied three SHG federations Shri Padmavathy Mahila Abhyudhya Sangam of Andhra Pradesh, Kurinji Vattara Kalanjiam from Tamil Nadu and Shri Viswabharthi Association of Women Thrift Cooperatives from Andhra Pradesh. He examined the functions of federations and their benefits to self help groups. The results showed that federated SHG members were empowered. These federations were also providing microfinance to SHG members. Through microfinance services SHGs were gaining economies of scale and financial sustainability.

Karubi (2006) focused on women's economic empowerment through microcredit programmes in southern Nigeria. The study was conducted in the two Nigerian States Oyo and Imo. Rural women group and market women group were selected for the study. These women were involved in microcredit programmes. The study concluded that respondent women had improved their control over their credit. Their decision making skills had been enhanced. Some other factors affecting women empowerment in this area were size of family, age of women and culture. The study suggested some policies and schemes to improve the level of women empowerment.

Basu (2006) studied hundred Self Help Groups (SHGs) members in the Hooghly district, West Bengal in 2006. The decision of the Self Help Groups to invest in projects was a factor which affected the empowerment. The choice of secure project leads to more empowerment of women than the choice of doubtful projects. The study concluded that microfinance programs did lead to strong form of women empowerment. Microfinance was an effective tool for women empowerment in Hooghly district.

Bhatia (2007) studied some parameters of Self Help Groups like microfinance services, membership, meetings held, saving activities. The study also analyzed the Bank Linkages Programme of NABARD. The study was conducted during 2005-2006 in Ajmer, Alwar, Chittorgarh, Hanumangarh, Jodhpur, Swai Madhopur, Udaipur districts of the Rajasthan state. The results revealed that higher number of self help groups were in Hanumangarh district and in Alwar district. In Alwar

Paradhan NGO and in Hanumangarh district Oriental Bank of Commerce had promoted SHGs and were providing Microfinance to SHG members.

Dubreuil and Mirada (2010) studied the impact of micro-enterprises established by local women entrepreneurs through microcredit. They also observed the role of Micro Finance Institutions (MFIs) in developed countries like Spain. A total of 10 women clients of three different MFIs were selected as a sample. The study was conducted in Catalonia. The results showed that MFIs were also available in developed countries to provide microcredit to women. There was an improvement in the social and economic life of the respondents.

Noreen (2011) analyzed the role of microfinance in improving the status of women in the society. The data was collected during 2002-2007 from Bahawalpur region of Pakistan. A sample of 400 women clients was selected from National Rural Support Programme (NRSP). A sample of 200 women client was selected from Khushhali Bank. It was concluded that the status of women was improved by National Rural Support Programme. The study explained some factors affecting the decision making power of female like marital status, loan amount, asset holdings. The study suggested that MFIs should expand facilities for poor and dependent rural women.

Gebru and Paul (2011) focused on MFIs in Jimma town in South Western Ethiopia. The study also analyzed the impact of microfinance on poor people of the town. A sample of 120 clients was selected from MFIs. Findings showed that microfinance had improved the level of income of these clients. Microfinance

programme were also providing employment opportunities in the town. The decision making power of women respondents had also increased at various levels.

Jain & Jain (2012) conducted a survey of hundred respondents from various self-help groups (SHGs) of Udaipur district, Rajasthan and the analysis was done to study the empowerment of women through microfinance. The results showed that there was a significant increase in women empowerment through of microfinance. Microfinance programs are increasing in India and receiving attention from the Financial Institutions, NGOs and the Government. There was a higher level of political empowerment among women as compared to economic empowerment and there was also a poor level of social empowerment. Microfinance programmes were giving quick and tangible results to the poor people and women.

Reddy and Reddy (2012) examined the quality of SHGs, access to microcredit under bank linkage programme, challenges faced by SHGs and policies to enhance the performance of SHGs. The book was based on national survey of SHGs. The findings showed that there were disparities among states on the basis of microcredit facilities. Southern states were successful in providing microfinance through SHG Linkage Programme. There was a significant impact of self help groups on women empowerment. Process of repayment of loans to banks was also low. The book suggested that there should be annual election system and democracy in the group and among the groups. SHG Linkage Programme should be equally implemented in all states for better access to micro credit.

Vannila(2012) explained the growth of MFIs, significance of MFIs, technologies in MFIs and problems of MFIs in India. The study also gave a historical background of Bullock Cart Workers Association (BWDA).The study suggested that MFIs should be helpful to develop entrepreneurial skills in poor rural women. This would be helpful to improve the level of women empowerment.

Malathi and Vijayarani (2012) focused on microfinance and its goals. The study was conducted in two blocks of Cuddolore district of Tamil Nadu. Hundred SHG members were selected randomly. The study concluded that economic position of members had increased after joining the group. Microfinance was helpful in the improvement of their literacy level. The study suggested that banks should increase the amount of loans for rural area. Various workshops, seminars and training programmes should be conducted for the rural women.

Gupta and Singh (2012) conducted a study in Sangaria, Hanumangarh, Nohar and Pilibanga tehsils of Hanumangarh district of Rajasthan State. In these tehsils SHGs were formed and financed by agencies like Department of Women And Child Development, Krishi Vigyan Kendras. Total 390 respondents were selected to examine the significance of Self Help Groups in rural area of the district. Results revealed that all the members were involved in income generating activities like soft toys making, dairy, fertilizer shops through microfinance facilities. The study suggested that general community should also come forward and facilities of microfinance should be improved for the better performance of rural people.

Kumar *et al.* (2013) examined the role of Grameen Bank (GB) in women empowerment through microfinance. A sample of hundred women was selected from two districts Jhenaidah and Kushtia of Bangladesh. The study concluded that GB was involved in microcredit programmes and providing microfinance facilities to poor women for their better life. Respondents were illiterate so their microcredit utilization skill was weak. They were facing various problems. The study also suggested that literacy level should be improved. Microfinance should be utilized in various agricultural activities and non agricultural activities.

Mula and Sarker(2013) conducted a study in Cooch Behar district of Eastern India. A sample of 144 women members of SHGs were selected to study the impact of microfinance on their empowerment. The study concluded that there was a positive change in economic indicators like income level, employment level, savings and entrepreneurial skills. The socio economic status of respondent women had improved by microfinance facilities provided through SHGs. The study suggested that empowerment level should improve through training programmes and other facilities.

Dhanotiya *et al.* (2013) studied Krishi Vigyan Kendra (KVK) of Kusturba Gram, Indore, Madhya Pradesh. Two villages Datoda and Shivnyg had been adopted by KVK for creation of SHGs and providing microfinance facilities to poor rural members. The study examined the role of KVK on the improvement of entrepreneurial skills of SHG members through microfinance. Findings showed that components like risk bearing ability, marketing facilities, regularity in saving, loan repayment had significantly increased in the respondents.

Medatwal (2013) analyzed the contribution of microfinance initiatives in the area of women empowerment in Hadoti region of Rajasthan and analyzed the role of selected microfinance programmes. This study also explained the problems of microfinance experiments and offered solutions to resolve them. It was based on a sample of the 50 women members participating in microfinance schemes for the time period of 2011-12 and covered major aspects like source of awareness about microfinance, saving patterns, loan and income generating activities. The study concluded that microfinance had benefited the women members to enhance their role in society, decision making, mobility and economic empowerment. Microfinance programmes were useful in increasing self esteem and decision making power.

Gaur and Batra (2014) analyzed the role of SHGs and SHGs Linkage Programme on empowerment of women. The data was collected from various reports. The results revealed that the number of women had increased in SHGs. SHG Linkage Programme of NABARD had improved the level of empowerment of women through microfinance facilities. There was an international comparison on the basis of Global Gender Gap Index (GGGI). India had been placed at 101th rank in this International comparative analysis. Iceland ranked first in the same. The study suggested that our economy requires efforts to achieve better empowerment level.

Sunitha(2014) explained that there were two micro credit operators in India .First was SHG-Linkage Programme and second was Micro Finance Institutions (MFIs). SHG-Linkage Programme was launched by NABARD in 1992. Under this

programme microfinance was distributed to SHGs. MFIs distributed loans to Joint Liability Groups (JLG). GISKA(Group Insurance Scheme For Khadi Artisan), DRDA (The District Rural Development Agency), NIRD (National Institute of Rural Development), NRRDA (National Rural Road Development), CAPART (Council for Advancement of People's Action and Rural Technology), RIDF (Rural Infrastructure Development Fund) were major schemes offered by MFIs. The study also explained some limitation of MFIs and suggested that proper training, supervision and use of new technologies could be helpful for the better performance of MFIs.

OBJECTIVES

- To analyze the role of microfinance as a tool for women empowerment in rural area.
- To explore the problems faced by rural women to access microfinance.
- To suggest policies to promote microfinance programmes in rural area and their implementation.

HYPOTH ESES

The present study would like to explore the situation of rural women involved in the microfinance programmes and the effectiveness of this micro financial help in

the study area. This research will try to test the following hypotheses related to microfinance and women empowerment.

- Null Hypothesis (H_0) - Microfinance does not have a significant impact on empowerment of rural women.

  Alternative Hypothesis (H_a) - Microfinance has a significant impact on empowerment of rural women.

- Null Hypothesis (H_0) - There is no significant difference in the impact of microfinance on the empowerment of rural women belonging to different communities.

  Alternative Hypothesis (H_a) - There is a significant difference in the impact of microfinance on the empowerment of rural women belonging to different communities.

METHODOLOGY

The study will be undertaken in Sri Ganganagar district of Rajasthan. In Sri Ganganagar district chief agencies that provide microfinance are Krishi Vigyan Kendra, Department of Women and Child Development, Oriental Bank of Commerce (OBC), ATMA (Agricultural Technology and Management Agency) and Co-Operative societies.

Both primary and secondary data will be used for the study. Primary data will be collected from the women involved in microfinance programmes through these agencies. A sample of five hundred women clients, hundred from each agency will be taken. Women will be selected by simple random sampling. A well structured questionnaire will be used for collecting data from the selected women. Data will be analyzed by various statistical tools and tests like percentage method, average, paired t-test, Chi square test. Secondary data will be collected through various sources like NGO's working in the area, governmental organizations of the area, news papers and journals, census reports, research reports and other official records. Women Empowerment will be measured through subjective factors (like income level, literacy level, regularity in saving, loan repayment) and objective factors (like freedom of decision making at various levels, freedom of social mobility, and awareness about health and child education).

The study will be organized in the following chapters:

1. Introduction
2. Historical Review of Microfinance
3. Role of Government and NABARD in Microfinance
4. Microfinance and Empowerment of Rural Women in Sri Ganganagar District
5. Conclusion and suggestions

SIGNIFICANCE OF THE STUDY

This study will help to analyze the role of microfinance in the empowerment of rural women. This will be helpful for those rural women who are not actively participating in economic activities and microfinance programmes, thereby leading to their empowerment. It will help in the formulation of local policies for the development of Micro Finance Institutions and proper utilization of microfinance.

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